

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 NEA-10 SCEM-02 INT-08 EUR-25

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19

IO-14 AID-20 COME-00 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 STR-08 DRC-01

/240 W

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R 260920Z NOV 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5747

INFO AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: ENRG, MY

SUBJECT: IMPACT OF OIL CRISIS IN MALAYSIA

1. SUMMARY. MALAYSIA WILL FARE BETTER THAN MOST OTHER NATIONS IN FUEL CRISIS BECAUSE IT WILL CONTINUE TO RECEIVE MID-EAST OIL AT PAST LEVELS. HOWEVER, SOME RESTRICTIVE ACTION IS LIKELY IF THE ARAB RESTRICTIONS CONTINUE ON SINGAPORE WHERE MALAYSIA OBTAINS SIGNIFICANT AMOUNTS REFINED PRODUCTS. END SUMMARY.

2. AS GOM ON ARAB PRIVILEGED LIST, SHORTAGES ARE NOT ACUTE IN AMALAYSIA. HOWEVER, ESSO MANAGER, ROY SMITH, ANTICIPATES GROWING DIFFICULTY IN MEETING DEMANDS IF CRISS CONTINUES. ALTHOUGH MALAYSIA GUARANTEED SUPPLIES BY ARAB PRODUCERS AT IMPORT RATE OF PAST YEAR, CURRENT HIGH DEMAND CONSIDERABLY GREATER. MOROVER, 25 - 40

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PERCENT OF MALAYSIA'S REFINED PRODUCTS IMPORTED FROM

SINGAPORE, WHICH AS NON-PRIVILEGED IMPORTER BEING FORCED TO REDUCE DELIVERIES TO ALL CUSTOMERS.

3. GOM HAS NOT TAKEN OFFICIAL ACTION AS YET TO CUT FUEL CONSUMPTION, BUT BOTH THE PRIME MINISTER AND TAIB MAHMUD, MINISTER PRIMARY INDUSTRIES, HAVE MADE STRONG APPEALS FOR CONSERVATION. SOME SPECIFIC RESTRICTIONS SEEM UNAVOIDABLE, SUCH AS LIMITATIONS ON SHIPS AND AIRCRAFT MAKING UNSCHEDULED FUEL CALLS, OR FUELING BEYOND NORMAL REQUIREMENTS ON SCHEDULED CALLS. ALTHOUGH GOM HAS NOT YET TAKEN RESTRICTIVE STEPS DISTRIBUTORS EXPECT OFFICIAL ACTION IF CRISIS CONTINUES MUCH LONGER, OR IF UNUSUAL DEMANDS ARE HIGH. FOR THE PRESENT COMPANIES ARE REQUIRED TO KEEP GOM FULLY INFORMED OF THEIR SUPPLY POSITIONS AT ALL TIMES, AND TO INFORM GOM OF ANY SPECIAL PROBLEMS THAT ARISE.

4. MOST ACUTE PROBLEM AREA IS FORESEEN IS IN JOHORE, WHERE SUPPLIES MAINLY COME FROM SINGAPORE. BECAUSE OF THEIR PROXIMITY RESTRICTIONS THAT MAY BE IMPOSED IN SINGAPORE WILL PROBABLY NECESSITATE RESTRICTIONS IN JOHORE, E.G., CLOSING DOWN OF GASOLINE PUMPS ON SUNDAYS IN SINGAPORE WOULD REQUIRE CORRECTIVE ACTION IN JOHORE. RECOGNIZING NEED FOR CLOSE COOPERATION IN HANDLING FUEL CRISIS, GOM AND GOS ESTABLISHED SPECIAL CHANNELS OF COMMUNICATION ON FUEL PROBLEM DURING PM RAZAK'S STATE VISIT IN SINGAPORE NOV 14-16.

5. EMBASSY COMMENT. AS DEPT AWARE PETROLEUM DISTRIBUTION IN MALAYSIA STRONGLY DOMINATED BY US COMPANIES. DESPITE DECIDED PRO-ARAB POSITION GOM HAS BEEN WHOLLY COOPERATIVE WITH DISTRIBUTORS AND HAS NOT RAISED FRICTIONAL ISSUES WITH THEM. IN ADDITION TO SHOWING UNDERSTANDING ATTITUDE TOWARDS ADJUSTMENTS TO SHORTAGES GOM HAS CARRIED ON NEGOTIATIONS ON PRICE INCREASE WHICH NOW ARE AT ADVANCED STAGE AND ESSO EXPECTS AGREEMENT REACHED SHORTLY. IN DRILLING CONCESSIONS, MOBILGAS AND GOM ANNOUNCED AGREEMENT LAST WEEK ON SHARING CONTRACT ON PATTERN SET EARLIER BY CONOCO AND SHELL. LIMITED OFFICIAL USE

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6. FYI: ONE POSSIBLE SOURCE OF FRICTION IS IN COMMITMENT WHICH TAIB MAHMUD REFERRED TO IN PRESS CONFERENCE LAST WEEK. TAIB INDICATED THAT ARAB PRODUCERS HAVE PROMISED TO INCREASE DIRECT SHIPMENTS IF MALAYSIA SUFFERS LOSSES FROM INTERMEDIATE SUPPLIERS, SUCH AS THOSE IN SINGAPORE. ACCORDING TO LOCAL NEWSMAN WHO QUESTIONED TAIB PRIVATELY ON POINT, GOM COULD REQUIRE

DISTRIBUTOR -- E.G., ESSO -- TO COMPENSATE FOR ANY
DROP IN DELIVERIES RESULTING FROM GOS RESTRICTIONS
WITH LARGER IMPORTS FROM MIDDLE EAST, WHICH WOULD BE
DEDUCTED FROM MID-EAST ALLOCATIONS TO SINGAPORE. TAIB
STATED TO OUR INFORMANT, HOWEVER, THAT GOM HAS NOT
LEVIED SUCH REQUIREMENT ON PRODUCERS, AND THIS CONFIRMED
BY ESSO. WHILE WE BELIEVE THE RAZAK -- LEE
KUAN YIEW ARRANGMENTS ON OIL COOPERATION PROBABLY
AVOID THIS PROBLEM, IF IT DOES ARISE AMERICAN COMPANIES
WILL BE CAUGHT IN THE MIDDLE OF GOM-GOS DISPUTE. END FYI.
LYDMAN

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